“ into the

’s...

Maritime Telegraph & Telephone Company Limited **annual report** 1970

1970 annual report

to the shareholders Maritime Telegraph & Telephone Company Limited

Incorporated under the laws of the
Province of Nova Scotia

Head Office: 1520 Hollis Street,
P.O. Box 880, Halifax, Nova Scotia, Canada,
Telephone (Area Code 902) 424-4541

This 1970 Annual Report is a summary of the operations of the Company in its 61st year of serving Nova Scotia. It is prepared for those who have invested in our Company, for those who are interested in the Company's performance and for our employees.

STOCK TRANSFER OFFICES
Maritime Telegraph and Telephone Company, Limited, 1520 Hollis Street, Halifax, N.S.; Canada Permanent Trust Company, 625 Dorchester Blvd. West, Montreal 1, Que.; Canada Permanent Trust Company, 34 King Street West, Toronto 1, Ont.

STOCK REGISTRAR:
The Halifax, Montreal and Toronto offices of Canada Permanent Trust Company are registrars of common shares of the capital stock of the Company.

COMMON SHARES LISTED
Montreal Stock Exchange
Toronto Stock Exchange

-modern, windowless and nditioned throughout, the oor extension to Halifax's toll centre was completed for scheduled cut over to ril 18, 1971. The building s a Canadian-built electric hing machine" (known as 'l machine") on two of its n a master test frame on a or larger than many small al offices. The entire $7.5 ion project, biggest single n program expenditure in pany's history, was a year ng. Besides handling DDD from a number of distant s, the new centre also was d to carry DDD calls from ars to come, the complex achinery will be part of a le to handle long distance which are Direct Distance a person-to-person basis, ollect calls, calls from pay phones and calls billed to credit cards.

contents

The annual general meeting of the shareholders of Maritime Telegraph and Telephone Company, Limited will be held at the Head Office of the Company, 1520 Hollis Street, Halifax, N.S., on Wednesday, the 31st day of March, 1971, at twelve o'clock noon.

from the President

Time was when a brief history of our operations and a scrutiny of the financial results would have told the year's story to the satisfaction of most readers of our Annual Report.

This is no longer so. We are a growing company. We know that as we move into the 1970's the decade ahead will be marked by change – almost certainly more change in the communications business than in any past period in our history.

It is still true that financial performance and growth, as evidenced by the statistical story in the ensuing pages and the improved earnings – from $1.37 to $1.71 per share – are of continuing importance.

But, increasingly, these factors can no longer stand alone as the measure of our business. For as well as the accomplishments of the past, we must also be measured against the requirements of the future.

We estimate that by 1980 we shall be handling more than one billion telephone calls a year, nearly twice what we handle now. We expect to process more than 30 million long distance calls – more than twice this year's total. We may well be servicing close to a half million telephones.

We know also that besides voice calling, other forms of communication – especially data transmission to and from computers – will grow; indeed, these other forms will grow at a pace even greater than voice telephony.

And we know we must plan and build now for what is to come.

How then do we measure up? Traditionally, Annual Reports express confidence in the future. Ours is no exception. But more than expressing our confidence, we hope the pages that follow will reinforce your confidence; confidence in the market for communications in Nova Scotia and confidence in the capability, spirit and determination of Maritime Tel and Tel men and women to serve that growing and changing market.

A. G. Archibald

February 10, 1971

"rates are revised... bargain long distance calls grow..."

For the second year in a row, Nova Scotia's gross provincial product exceeded $2 billion, retail sales reaching $750 million. But in common with other provincial economies, there were early signs that anti-inflationary measures were having their own side effects on the rate of employment, growth in new jobs, and personal spending.

At about the same time as these trends were becoming evident, approval was granted our Company for revisions in telephone rates for which there had been public hearings in the fall of 1969. These rates went into effect March 1st.

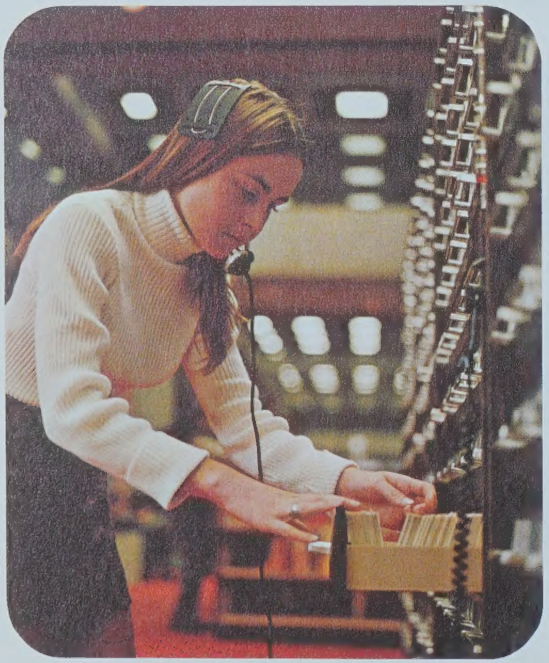
Nevertheless, the two factors – the economic slowdown and changes in telephone prices – had their immediate effect on the Company.

On the one hand, the rate of addition of new telephones to the network dropped. This was predictable and not unique in the telephone industry. By stepped up advertising and special sales displays we recovered somewhat, and we ended the year with 12,152 new telephones – still several hundred fewer than were added last year.

Paradoxically, the growth in main residence telephones – that is, basic home telephone services – was the greatest in our history, nearly 7,000. The fall-off came in business services.

On the other hand, introduction of two-minute minimums for long distance calling within Nova Scotia (for calls over 30 miles) also had an almost immediate effect.

The number of in-province long distance calls, and the revenues from them, started to grow. As the months went on, this growth continued until by late summer and early autumn long distance calling volumes were running 11-12% ahead of a year ago. By year end, volumes for the year were up 9.7% compared to a 6.0% increase a year ago.



Centrex telephone intercommunications at new Killam Library, Dalhousie.

Clearly, the consumer of communications services was being cautious about spending for extras, but ready and willing to take advantage of attractive rates and prices.

From all this, we could draw some conclusions.

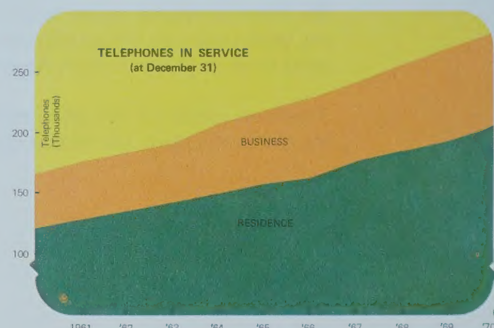
281,000 TELEPHONES

It is clear that basic communications is a universal part of our world today. Telephone service is no longer incidental to gracious living. It is essential in today's social and business life.

Ten years ago, for example, there were 24 telephones for every 100 persons in Nova Scotia. By the end of 1970, that figure was close to 37, and rising.

Ten years ago, fewer than 70 homes out of 100 had telephone service. Today, it's approximately 90.

In 1961, there were 177,000 telephones in service; by the end of 1970 there were 281,363. In the same ten-year period, the number of single party services to homes nearly doubled to a total, at year end, of 132,000 out of 173,000 residence services – among the highest individual line developments in Canada.



GROWTH IN DIAL, DDD

Another conclusion we can draw is that life today has become so much more complex, that it is no longer just an inconvenience to be without a telephone. It is an expense. And at no time in history has a typical telephone customer had access to a service of such wide and growing dimensions.

In the 145 telephone exchanges throughout the province, 91% of our telephones are dial-operated and two thirds of them are connected to the Direct Distance Dial network embracing Canada, the continental U.S. and — added during 1970 — Hawaii. In April, we provided dial service to the customers in Inverness, Cape Breton, and linked that exchange to the DDD network.

In June, many customers who had been served from the Spryfield dial office were switched over to a new dial office at fast growing Ketch Harbour, and mileage charges for service were reduced or eliminated.

In July the telephones in Bear River and in Digby were linked in a flat rate calling area. By year end more than two thirds of all our telephones were so joined in Extended Area Service plans, served by 42 exchanges. Ten years ago, there were only two exchange areas with EAS, Halifax and Bedford.

Ten years ago, too, there were almost 200 independent rural connecting telephone companies in Nova Scotia. We are, with the approval of the Board of Commissioners of Public Utilities and at the request of these companies, assuming the service responsibilities of as many as is economically feasible. At Year end, there were 86 connecting companies remaining in the province.

610 MILLION CALLS

Finally, more local and long distance calls were made in 1970 than ever before. Interestingly enough, and perhaps stimulated by vigorous marketing of the bargain "two-minute minimum", people talked just as long as ever, even longer, and they made more calls.

But the trend to DDD calling was increased, and there was some shift in calling patterns from daytime to evening, and early evening to late evening. These trends were desirable, shifting more traffic load to automatic machinery, and changing more calling times to relatively idle evening and late-evening hours.

Whereas ten years ago we handled about 350 million calls — eight million of them long distance — last year the total was 610 million, 15 million of them long distance. Total volume of all calls increased by 5.6% over a year ago, a greater increase than the number of new phones in service. Long distance calls averaged 42,000 daily.

Alternate melting-freezing produces rare ice build-up on open wire network, now almost extinct.

Heavy cable is held aloft as linemen raise overhead wires for movement of building along Fairview street.

"construction program a company record... urban centres grow..."

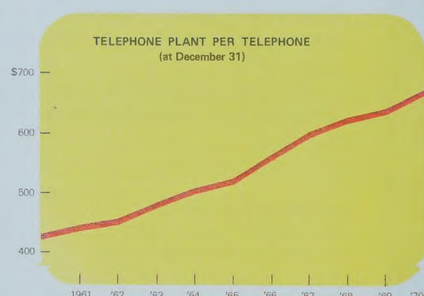
During 1970 $22.6 million was expended on the capital construction program, a record in the Company's history. The major portion of this — $16.8 million — was in plant additions.

This expenditure included the connection of more than 67,000 telephones and the disconnection of nearly 55,000. This was a record number of moves and changes. As in recent years, it reflected the growing urbanization and mobility of Nova Scotia's population. It also reflected the fast growth of larger centres where "in-migration" from surrounding areas is increasingly evident.

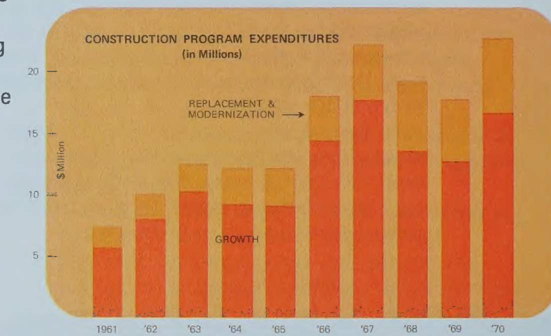
Rarely in our history, in fact, have we had to install nearly six telephones for every one we gained. Net addition to telephone plant in 1970 was equivalent to the expenditure of close to $1,400 for each of the 12,150 telephones gained. By year end, telephone and telecommunications plant and equipment expenditure had risen to $188.9 million — a total of $671 per telephone. Ten years ago this was $439.

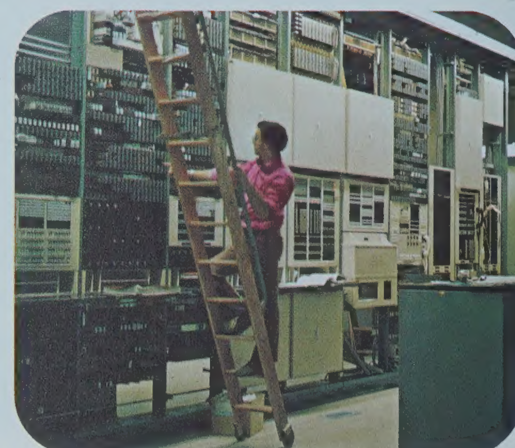
Of the $22.6 million in expenditures $9.2 million was spent on central office equipment throughout the province. The dial conversion at Inverness and the new dial office at Ketch Harbour were mentioned earlier, but there were others.

They included an expenditure of $500,000 at Halifax's Bishop exchange on Sackville Street, expanded to service the growing downtown area; $800,000 in the Sackville exchange, north of Bedford, preparatory to mushrooming growth in this satellite community; $900,000 in New Glasgow to complete the conversion there to all-crossbar (electric memory) dialing; and $4.2 million during the year on the versatile "4A Crossbar" switching machine and related facilities at the much enlarged long distance centre on Halifax's North Street.



Such major construction projects are also clear evidence that our customers are using their telephone equipment more often than ever before, and for longer periods of time. This has continued to create the need for new and additional facilities beyond those solely required for new services.





Master test frame for new "4A toll" machine at Halifax North Street building extension.

The microwave network now serving the entire province carries 310,000 voice channel miles, and this total includes new systems provided during 1970 between Halifax and Truro, Nova Scotia and Prince Edward Island, Sydney and Inverness, and from Sydney to the Magdalen Islands, Quebec. As well, additions to long distance transmission facilities were made in the exchanges of Chezzetcook, Halifax, Digby, Kentville, New Glasgow, Sydney and Yarmouth.

The balance of the $22.6 million construction budget was spent on projects involving both replacement of obsolete equipment, and provision of new facilities to bring more modern services to our customers.

At Inverness the 725 telephones were converted to dial service. At the other end of the province, trunk facilities were constructed so that the customers in Bear River and Digby were joined in a toll-free, flat-rate calling plan.

Reductions in the number of customers sharing rural party lines were made by additional facilities provided for Wreck Cove in the St. Anne's Bay exchange, at Granton in the Westville exchange, at Scotch Village in the Brooklyn exchange, and at the exchanges of Country Harbour, River Herbert, Musquodoboit Harbour and Port Medway.

Three years ago, the number of rural lines shared by more than 10 customers was 211; by 1970, this had been reduced to 108 and the average number of telephones per rural line was eight.

(above) *Shrouded against the elements, antenna dishes for heavy-route microwave from Halifax to Charlottetown are raised in place at Hilden, near Truro.*

(top) *A senior engineering draftsman prepares special charts illustrating N.S. communications growth and development for members of Telecommission, federal telecommunications study group.*

(bottom) *Virtually a full-time installation crew was assigned to mushrooming Scotia Square as first office tower was followed by apartment complex, additional retail outlets, and second office tower.*

" telephone people serve their company well... "

Large expenditures such as those noted in the preceeding pages can denote the quantity of the service improvements we strive for year by year. But the quality of service is best measured on the basis of the call by call, day-to-day contacts between telephone people and our customers.

These were many and varied during 1970. They included, of course, the tens of thousands of contacts with installers and repairmen who entered customers' premises, the service representatives who responded to housewives' queries and the young ladies with the "voice with the smile" who aided in customers' calls, both local and long distance.

They also included the operator who set up the cross-Canada conference call among highways ministers, the salesman who helped a small business grow by solving a communications problem, and the service representative who manned a display booth to increase set sales.

In these and countless other ways, telephone people served their Company well during 1970 — and they did this best by helping themselves, their customers and their communities to the utmost of their abilities.

EDUCATION

During 1970 these men and women continued to improve their skills in both on-the-job and out-of-hour educational courses. Under the Company's tuition plan, a part of tuition costs was paid for those who successfully completed courses at institutions of higher learning. Seventy-six employees participated in this plan.

CUSTOMERS

In this age of increasing specialization, telephone people are constantly reminded that no matter what their jobs, each has a responsibility for both improved sales and better service. But in three specific areas customer service and sales are prime responsibilities of telephone people, and increased emphasis was given to this in 1970.

- Our business sales staff who serve more than 42,000 business customers with 76,000 telephones had more than 41,000 sales contacts during the year. As well, recognition by businesses of the value of Yellow Pages advertising was evidenced by a record revenue increase.

- It has long been recognized that the best time to "sell" additional telephone services to customers is when the customer is contemplating a change in service —

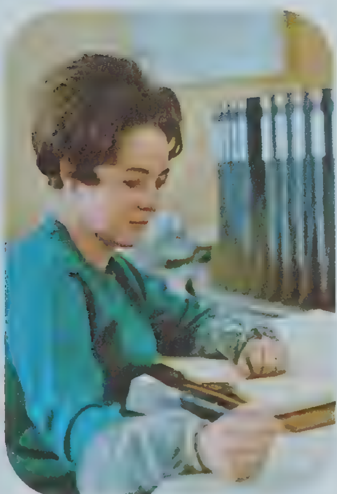
Pursuing his programmed training in electronics at Company's classroom training centre, employee-student was one of hundreds upgrading technical skills.

such as a move from one premise to another. At these times, the first order of business is to see to it that the necessary items concerned in the move or change are dealt with. But more than that, the Service Representative serves as a prime source of sales. In 1970, these young ladies themselves became part of a "team" faced with the challenge, in a year of belt-tightening and higher phone rates, to increase sales of extension sets, second lines and Touch-Tone, Contempra and various colored sets. They set their own goals and their own incentives — non-monetary, out of choice — and had the satisfaction of watching results match their enthusiasm.

- Service Advisors made 203 visits to business and government offices, large and small, in a continued effort at improving telephone efficiency. The Telezonia program, aimed at school-age children to train and encourage them by proper and good-mannered use of the telephone, reached more than 1,500 pupils in 30 schools.

SOCIAL RESPONSIBILITY

Telephone men and women also served their communities well in 1970, in countless hours of volunteer, off duty projects aiding civic, church, charitable, school and social organizations. Membership in the Telephone Pioneers group is 100% of those eligible, made up of both active and retired employees with more than 21 years' service. The Pioneers numbered 673 at year end. As in past years, they made numerous presentations to aid blind, retarded and handicapped youngsters.



Her job: the assignment of available facilities to provide service where and as requested by the customer.

(top left) *Engineering circuit layout clerk assigns channels and related equipment units for growing long distance network.*

(top right) *Record number of moves and changes means extra work for Directory Assistance ("411") operators.*

(centre) *Working side by side with salesmen, young ladies of Yellow Pages sales staff help push revenues to a new record.*

(bottom) *Following inaugural cruise of Prince of Fundy, Maine-to-Nova Scotia, members of Company's commercial group exchange greetings and gifts with their counterparts at New England Telephone Company.*

new highs for wages, benefits and savings...

Our 2,529 telephone people — 60 more than last year — have collectively and individually never been a more highly trained and educated group, bringing many years of service experience to their jobs. At year end, they numbered 1,318 women and 1,211 men, and a recent analysis showed the length of service of these regular employees looked like this:

40 or more years — 1%
30-39 years — 2%
20-29 years — 15%
10-19 years — 16%
5-9 years — 19%
less than 5 years — 47%

The "typical" male employee was almost 37 years old, and the average age for women was about 28 years.

Working underground at Halifax's dockyard waterfront, splicer utilizes new compressed-air cable splicing device to speed facilities completion.

Installation of coin-operated telephone at Sydney brings to 3,429 the number of pay stations serving Nova Scotia.

Key contact with the customer is the Service Representative from initial service request to follow-through on accounts, changes and moves.

In 1970, salaries and wages amounted to $15,684,000. The Company's non-contributory pension fund, held in trust, was added to by the Company in the amount of $895,000 and totalled $16,866,000 at the end of the year.

Other benefit payments included payments for sickness and accident disabilities, death benefits, group insurance and Blue Cross Supplementary Hospital insurance; these totalled $382,000, and together with the pension payments were 8.1% of the Company payroll.

Non-voluntary benefit payments, in addition to those above, included $188,000 paid by the Company into the Canada Pension Plan; $300,000 in Old Age Security Tax; and $126,000 in Unemployment Insurance.

All these benefit costs — voluntary and other — totalled $1,891,000 or 12.1% of the total payroll.

Some 1,234 employees continued to participate in the Stock Savings Plan, and at mid-year the Plan was amended to permit employees to purchase shares at 80% of the average market price (to a limit of 10% of their salaries). Before the change, shares could be purchased at 75% of the average market price.

Later in the year, employees purchased $214,100 in Canada Savings Bonds through payroll deduction.

Normally, no labour contracts would be in the process of negotiation during 1970, but earlier efforts had failed at conciliation of the contract dispute with members of the telephone operators' unit of the International Brotherhood of Electrical Workers. By early spring, the operators had voted to strike, the major issue being wages. In April, a government-appointed one-man Industrial Inquiry Commission assisted in bringing about an agreement.

View from the top of North Street toll centre extension, looking south and east across Halifax and harbor. New microwave dishes in foreground are part of heavy-route microwave serving private TV network and telecommunications to north-central Nova Scotia and Prince Edward Island.

summing up

The year 1970 has been a good one for your Company. As trends changed and forecasts were adjusted, we were able to respond quickly. This is one of the strengths of your Company, and one which will see us through the exciting years ahead.

At the same time, there are trends in the general economy which offer some indication of an upturn in mid-1971, continuing into 1972.

For your Company this same projection will ring true, provided we are permitted to continue to expand, diversify and modernize our services, services which will enhance the entire spectrum of telecommunications — data, picture phone, shopping and banking by telephone, systems of information retrieval, and so on.

Thus 61 years of continuous telephone service to the people of Nova Scotia will be only a prologue to the 1970's, to a decade when the biggest challenge we face will be the challenge to change, and grow with changing service requirements.

Our business is growing and your Company is well aware of the potential demands and challenges that face us for many new telecommunications services, available both now and in the future. Every effort is being made to meet these and our goal will remain as always to keep our service the finest available anywhere.

Chairman and President
For the Board of Directors

February 10, 1971.

financial report '70

MARITIME TELEGRAPH & TELEPHONE COMPANY LIMITED

the financial picture

The year just past was a record year in several respects. The Construction Program Expenditures were a record $22.6 million, the daily volume of toll messages established a peak level of 42 thousand and earnings per share reached a new high.

Earnings per share ($1.71) improved over the previous year ($1.37) due, in large measure, to a revised schedule of rates, effective March 1, 1970, which increased operating revenues by about 6.7% over the old schedule. Revised rates combined with the growth in telephones (4.5%) and in message volumes (9.7%) improved operating revenues over last year by 14.6% while at the same time operating expenses were held to a 9.7% increase. This improvement in operations was offset somewhat by higher fixed charges which were 27% above 1969, chiefly attributable to the new bond issue and high interest rates.

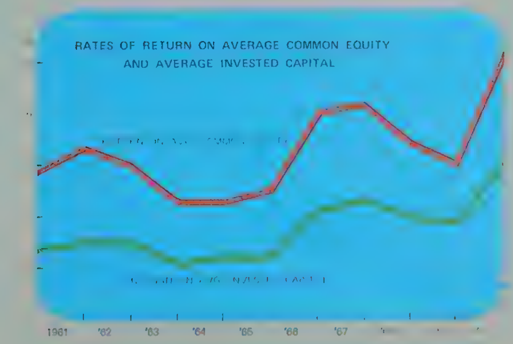
On June 1, 1970, the Company issued Series "Q" bonds for $10,000,000 at a record coupon rate of 9¼%; these bonds are redeemable at the holders' option on June 1, 1975. The issue has increased embedded debt cost from 5.4% to 6.1%. Series "D" and "G", which are due in 1971, have been reclassified from Long Term Debt to Current Liabilities in the Statement of Financial Position.

During the year, the Company adopted a change in accounting principles. Previously, the investment in The Island Telephone Company, Limited was shown at cost to the Company. Now, the Company's equity in the net assets of the subsidiary is shown in the Investments section of the Statement of Financial Position and the share of subsidiary retained earnings and premium is included with Retained Earnings. The annual increment is included in the Income Statement with Other Income. Retroactive effect has been given to this change in accounting principles by the restatement of financial results for the period 1961 to 1969. This change is in accord with accepted practice and is recommended by the Canadian Institute of Chartered Accountants.

The financial statements presented on the following pages tell the story in more detail.

in brief

	1970	1969
Construction Program Expenditures (millions)	$ 22.6	$ 17.7
Telephone Plant per Telephone, December 31	$ 671	$ 639
Telephones in Service, December 31	281,363	269,211
Earnings per Share	$ 1.71	$ 1.37
Dividends per Share	$ 1.10	$ 1.10
Average Common Shares (thousands)	3,796	3,743
Return on Average Invested Capital	8.0%	6.9%
Return on Average Common Equity	9.9%	8.1%
Equity per Common Share, December 31	$ 17.64	$ 17.10
Debt Ratio, December 31	47.3%	44.1%
Salaries and Wages (millions)	$ 15.7	$ 14.0
Employees, December 31	2,529	2,469



STATEMENT OF FINANCIAL POSITION

As At December 31, 1970

(With Comparative Figures as at December 31, 1969)

ASSETS

	1970	1969
	$	$
TELEPHONE PLANT		
Depreciable Telephone Plant in Service, at cost	179,085,155	167,070,557
Other Telephone Plant, at cost (Note 1)	9,814,095	5,030,641
	188,899,250	172,101,198
Less Accumulated Depreciation	46,892,101	42,767,371
	142,007,149	129,333,827
INVESTMENTS (Note 2)		
Equity in Net Assets of Subsidiary	2,697,655	2,667,665
Other Investments	350,015	104,015
	3,047,670	2,771,680
CURRENT ASSETS		
Cash	450,051	584,816
Due from Subsidiary	575,402	55,988
Accounts Receivable	6,618,932	5,979,989
Materials and Supplies, at cost	1,588,120	2,539,776
Prepayments	315,787	294,442
	9,548,292	9,455,011
DEFERRED CHARGES		
Unamortized Discount on Long Term Debt	502,027	356,019
Other Deferred Charges	451,029	348,519
	953,056	704,538
	155,556,167	142,265,056

LIABILITIES AND SHAREHOLDERS' EQUITY

	1970	1969
	$	$
SHAREHOLDERS' EQUITY		
Common Stock (Note 3)	38,248,540	37,674,370
Premium on Common Stock (Note 4)	14,094,797	13,985,930
Retained Earnings	15,113,402	12,781,407
Total Common Equity	67,456,739	64,441,707
Preferred Stock (Note 3)	1,500,000	1,500,000
	68,956,739	65,941,707
LONG TERM DEBT (Note 5)	56,000,000	52,000,000
CURRENT LIABILITIES		
Bank Loan	1,850,000	2,400,000
Short Term Notes	1,800,000	1,250,000
Bonds maturing within one year (Note 5)	6,000,000	—
Accounts Payable	2,739,585	4,409,587
Income Taxes Accrued	1,049,370	447,823
Interest Accrued	664,219	587,136
Dividends Payable	1,078,115	1,062,327
Other Current Liabilities	256,561	287,828
	15,437,850	10,444,701
DEFERRED CREDITS		
Deferred Income Taxes (Note 6)	14,796,996	13,502,217
Other Deferred Credits (Note 7)	364,582	376,431
	15,161,578	13,878,648
	155,556,167	142,265,056

On behalf of the Board: A. M. MacKay, Director — A. G. Archibald, Director

(5) **Long Term Debt** — First Mortgage Bonds —

Maturing		Series	Rate	Principal
March	15, 1971	G	3½%	$ 5,000,000
April	1, 1971	D	4%	1,000,000
July	2, 1972	F	3%	3,000,000
July	2, 1972	H	4½%	2,500,000
May	1, 1975	I	3¾%	3,000,000
July	1, 1976	E	3%	2,000,000
June	15, 1977*	O	8¼%	6,000,000
Sept.	15, 1978	J	5¼%	3,500,000
Nov.	1, 1980	K	5½%	4,000,000
June	15, 1983	L	5½%	5,000,000
May	1, 1985	M	5½%	7,000,000
March	15, 1987	N	6½%	10,000,000
June	1, 1990**	Q	9¼%	10,000,000
Total Outstanding Bonds				$62,000,000
Less Bonds maturing within 1 year (Series G, D)				6,000,000
Long Term Debt				$56,000,000

* Bondholders have the right, from December 15, 1970, to December 15, 1975, to exchange for 8¼% Series P First Mortgage Bonds to mature June 15, 1990.

** Bondholders have the right to require the Company to prepay the principal amount at par on June 1, 1975.

(6) **Deferred Income Taxes** — Deferred Tax Accounting has been followed with respect to all timing differences.

(7) **Other Deferred Credits** —
principally Employees' Stock Savings Plan

	1970	1969
Beginning of year	$ 343,768	$ 324,662
Add: Contribution, including interest	692,930	667,185
	$1,036,698	$ 991,847
Less: Common Stock issued to employees under the Plan	683,037	648,079
End of year	$ 353,661	$ 343,768

Generally, shares are issued on the completion of 12 months of contribution at a price approved by the Board of Commissioners of Public Utilities for the Province of Nova Scotia. Effective July 1, 1970, the price is equivalent to 80% of the average market price of the stock.

(8) **Miscellaneous Operating Revenues** — principally from directory advertising and circuit rentals.

(9) **Depreciation** — charged under the straight-line method using component depreciation rates for classes of plant as approved from time to time by the Board of Commissioners of Public Utilities for the Province of Nova Scotia. These rates provide for depreciating the assets over their estimated useful service lives. The rates currently in use were approved effective January 1, 1969, and resulted in a composite of 5.2% for 1970.

(10) **Traffic** — expenses, principally operators' wages, incurred in handling telephone calls.

(11) **Other Operating Expenses** — principally operating rents, service pensions and employee benefits.

(12) **Other Income** — includes income from subsidiary $168,151, interest earned $17,959, interest charged Construction $425,969, less miscellaneous income charges.

(13) **Amortization of Intangible Assets** — amortization of discount and premium on long term debt amounted to $50,739.

(14) **Charges to Income Requiring Funds** —

	1970	1969
Operating Expenses, Fixed Charges and Taxes	$37,946,459	$33,470,952
Less Charges not requiring funds —		
Depreciation Expense	8,863,125	8,230,933
Deferred Income Tax	1,374,930	1,271,187
Miscellaneous	221,484	195,326
	$10,459,539	$ 9,697,446
	$27,486,920	$23,773,506
Add back credits not producing funds —		
Interest, Pensions and Expense charged to construction	1,007,062	669,353
Miscellaneous	27,066	53,010
	$28,521,048	$24,495,869

(15) **Construction Program Expenditures Requiring Funds** —

	1970	1969
Gross Addition to Plant	$22,160,341	$17,382,565
Cost of Removing Old Plant	445,552	364,961
Construction Program Expenditures	$22,605,893	$17,747,526
Less Charges not requiring funds —		
Interest, Pensions and Expense credited to Income	$ 1,007,062	$ 669,353
Miscellaneous	105,796	106,912
	$ 1,112,858	$ 776,265
	$21,493,035	$16,971,261

(16) **Obligation for Pension Benefits for Past Services** — the value of the Unfunded Pension Benefit Obligation, based on the most recent actuarial valuation of the plan, was $1,591,000 as at December 31, 1970.

This Unfunded Obligation is being satisfied by annual payments of $114,252 which are treated as costs in the current year, with the final payment to be made in June, 1992.

INCOME STATEMENT

For The Year Ended December 31, 1970
(With Comparative Figures for the Year Ended December 31, 1969)

	1970	1969
	$	$
OPERATING REVENUES		
Local Service	**22,816,098**	19,574,955
Toll Service	**20,041,259**	17,948,927
Miscellaneous (Note 8)	**1,316,393**	1,089,065
Uncollectible Operating Revenues	*186,851*	*222,908*
	43,986,899	38,390,039
OPERATING EXPENSES		
Maintenance	**6,556,514**	6,138,933
Depreciation (Note 9)	**8,863,125**	8,230,933
Traffic (Note 10)	**3,968,132**	3,513,980
Commercial and Marketing	**2,107,687**	1,855,201
Administrative	**2,635,632**	2,252,635
Other (Note 11)	**2,225,164**	2,046,073
Taxes (Other than Income Taxes)	**1,317,999**	1,192,815
	27,674,253	25,230,570
OPERATING INCOME BEFORE INCOME TAXES	**16,312,646**	13,159,469
Other Income (Note 12)	**566,914**	314,328
TOTAL INCOME BEFORE INCOMES TAXES	**16,879,560**	13,473,797
FIXED CHARGES		
Bond Interest	**3,338,334**	2,570,519
Other Interest	**351,462**	346,143
Amortization of Intangible Assets (Note 13)	**68,293**	41,837
	3,758,089	2,958,499
INCOME BEFORE INCOME TAXES	**13,121,471**	10,515,298
Income Taxes (Note 6)	**6,514,117**	5,281,883
NET INCOME FOR YEAR	**6,607,354**	5,233,415
Earnings per Average Common Share	**1.71**	1.37

S. E. Jefferson
Comptroller

STATEMENT OF RETAINED EARNINGS

For The Year Ended December 31, 1970
(With Comparative Figures for the Year Ended December 31, 1969)

	1970	1969
	$	$
RETAINED EARNINGS, Beginning of Year —		
As Previously Reported	**11,986,952**	11,037,610
Adjustments to Prior Years:		
Equity in Net Assets of Subsidiary (Note 2)	**794,455**	744,692
As Restated	**12,781,407**	11,782,302
ADDITIONS:		
Net Income for Year	**6,607,354**	5,233,415
Miscellaneous	**5,495**	*11,408*
	6,612,849	5,222,007
DEDUCTIONS:		
Preferred Dividends	**105,000**	105,000
Common Dividends	**4,175,854**	4,117,902
	4,280,854	4,222,902
RETAINED EARNINGS, End of Year	**15,113,402**	12,781,407

AUDITORS' REPORT

To the Shareholders of

Maritime Telegraph and Telephone Company, Limited:

We have examined the statement of financial position of Maritime Telegraph and Telephone Company, Limited, as at December 31, 1970, and the statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1970 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a consistent basis after giving retroactive effect to the change in accounting for the investment in the subsidiary as explained in note 2 to the financial statements.

Halifax, Canada
February 8, 1971

Clarkson, Gordon & Co.
Chartered Accountants

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For The Year Ended December 31, 1970

(With Comparative Figures for the Year Ended December 31, 1969)

	1970	1969
	$	$
SOURCE OF FUNDS		
Internal Sources		
Operations:		
Operating Revenues and Other Income	44,553,813	38,704,367
Less Charges to Income Requiring Funds (Note 14)	28,521,048	24,495,869
Funds from Operations	16,032,765	14,208,498
Salvage and Other Items	833,025	921,947
Total Internal Sources	16,865,790	15,130,445
External Sources		
Long Term Debt	10,000,000	6,000,000
Employees' Stock Savings Plan (Note 7)	692,930	667,185
Total External Sources	10,692,930	6,667,185
Total Sources of Funds	27,558,720	21,797,630
APPLICATION OF FUNDS		
Construction Program Expenditures Requiring Funds (Note 15)	21,493,035	16,971,261
Dividends	4,280,854	4,222,902
Bonds maturing within one year (Note 5)	6,000,000	—
Investments (Note 2)	250,386	—
Miscellaneous	434,313	246,645
Total Funds Applied	32,458,588	21,440,808
INCREASE *DECREASE* IN WORKING CAPITAL	*4,899,868*	356,822

The accompanying notes are an integral part of these statements.

NOTES TO 1970 ANNUAL REPORT

(1) **Other Telephone Plant** — land, plant under construction, property held for future use and other non-depreciable items of plant, including intangible assets of $17,558.

(2) **Investments** —

Equity in Net Assets of Subsidiary — represented by 144,330 common shares (53.7%) of The Island Telephone Company Limited.

During the year the Company has adopted a change in accounting principles. Previously the investment in The Island Telephone Company Limited was shown at cost; this investment is now shown at the Company's equity in the net assets of the subsidiary.

The effect of this change is to increase Net Income for 1970 by $23,819 (1969 - $49,763). Retroactive provision has been made in the accounts to set up the excess of equity in net assets over cost to December 31, 1969 of $794,455 which has been credited to Retained Earnings and the figures for 1969 have been restated.

Other Investments — principally in Telesat Canada. Shares were purchased during 1970 for $246,000 with a commitment to invest an additional $500,000 during 1971.

(3) **Capital Stock** — par value $10.00 per share

	1970 Shares	1969 Shares
Authorized:	5,000,000	5,000,000
Issued:		
Common — beginning of year	3,767,437	3,719,536
— issued during year for cash (1970 - $683,037; 1969 - $648,079)	57,417	47,901
— end of year	3,824,854	3,767,437
Preferred — 7% cumulative	150,000	150,000

(4) **Premium on Common Stock** —

	1970	1969
Beginning of year	$13,985,930	$13,816,861
On Shares issued during year	108,867	169,069
End of year	$14,094,797	$13,985,930

THE YEARS IN REVIEW

	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961
Financial Position at Dec. 31 (in thousands)										
Telephone Plant	**$ 188,899**	$ 172,101	$ 159,475	$ 146,281	$ 128,492	$ 114,132	$ 105,137	$ 95,820	$ 85,512	$ 77,651
Accumulated Depreciation	**46,892**	42,767	38,490	36,269	33,100	30,245	27,363	24,893	21,786	19,711
Investments	**3,048**	2,772	2,722	2,711	2,612	1,886	1,842	1,751	1,675	1,799
Current Assets	**9,548**	9,455	8,238	12,014	5,778	8,273	5,180	5,442	6,944	5,679
Deferred Charges	**953**	705	519	1,034	764	433	283	245	178	180
Shareholders' Equity	**68,957**	65,942	64,295	62,726	53,650	45,115	43,689	39,010	38,918	32,683
Long Term Debt	**56,000**	52,000	46,000	46,000	36,000	36,000	29,000	29,000	24,000	24,000
Current Liabilities	**15,438**	10,445	9,584	5,867	4,608	3,956	3,535	2,759	3,133	3,238
Deferred Credits	**15,162**	13,879	12,585	11,178	10,288	8,830	8,276	7,017	5,893	5,098
Income (in thousands)										
Operating Revenues	**$ 43,987**	$ 38,390	$ 35,207	$ 32,333	$ 28,571	$ 24,288	$ 22,127	$ 19,982	$ 18,777	$ 17,510
Operating Expenses and Other Taxes	**27,674**	25,231	22,485	20,720	18,639	16,480	14,910	13,524	12,260	11,377
Other Income	**567**	314	435	402	302	243	162	219	60	(12)
Fixed Charges	**3,758**	2,958	2,538	2,262	1,759	1,593	1,328	1,187	1,022	1,026
Income Taxes	**6,514**	5,282	5,295	4,774	4,107	3,157	2,952	2,663	2,722	2,581
Net Income for Year	**6,607**	5,233	5,325	4,980	4,368	3,300	3,098	2,826	2,833	2,514
Financial Statistics										
Telephone Plant Per Telephone, Dec. 31	**$ 671**	$ 639	$ 622	$ 601	$ 565	$ 522	$ 509	$ 485	$ 456	$ 439
Equity Per Common Share at Dec. 31	**17.64**	17.10	16.88	16.66	16.37	15.76	15.56	15.29	15.44	15.17
Earnings Per Common Share	**1.71**	1.37	1.41	1.51	1.43	1.17	1.13	1.11	1.22	1.18
Dividends Per Common Share	**1.10**	1.10	1.10	1.10	.99	.95	.92	.90	.90	.90
Embedded Debt Cost	**6.1%**	5.4%	5.1%	5.1%	4.6%	4.6%	4.4%	4.4%	4.2%	4.2%
Debt Ratio	**47.3%**	44.1%	41.7%	42.3%	40.2%	44.4%	39.9%	42.6%	38.2%	42.3%
Times Bond Int. Earned — before Taxes	**5.1**	5.2	5.7	5.5	6.2	5.3	5.8	5.9	6.6	6.2
Times Bond Int. Earned — after Taxes	**3.1**	3.2	3.4	3.3	3.7	3.2	3.5	3.5	3.9	3.6
Return on Average Invested Capital	**8.0%**	6.9%	7.0%	7.3%	7.1%	6.2%	6.1%	6.0%	6.4%	6.3%
Return on Rate Base	**7.3%**	6.2%	6.2%	6.4%	6.2%	5.5%	5.4%	5.3%	5.9%	6.1%
Return on Average Common Equity	**9.9%**	8.1%	8.4%	9.1%	9.0%	7.5%	7.2%	7.2%	7.9%	7.9%
Corporate Statistics										
Construction Prog. Expenditures (in thousands)	**$ 22,606**	$ 17,748	$ 19,166	$ 21,851	$ 17,956	$ 11,959	$ 12,006	$ 11,465	$ 9,932	$ 7,625
Salaries and Wages (in thousands)	**$ 15,684**	$ 14,001	$ 12,851	$ 11,852	$ 10,430	$ 9,063	$ 8,349	$ 7,466	$ 6,817	$ 6,227
Employees at Dec. 31	**2,529**	2,469	2,474	2,632	2,531	2,340	2,168	2,086	1,915	1,850
Shareholders at Dec. 31	**11,887**	12,438	12,297	13,122	12,643	12,597	12,762	12,170	12,359	11,754
Average Common Shares (in thousands)	**3,796**	3,743	3,698	3,232	2,976	2,739	2,636	2,443	2,236	2,031
Telephone Service Statistics										
Telephones in Service at Dec. 31	**281,363**	269,211	256,388	243,502	227,270	218,533	206,752	195,986	187,536	176,853
Dial Telephones at Dec. 31	**90.8%**	90.5%	90.1%	87.9%	87.9%	87.1%	87.3%	86.9%	86.8%	86.1%
Average Daily Calls (in thousands)	**1,672**	1,471	1,393	1,308	1,236	1,150	1,086	1,028	989	954
Average Daily L. D. Messages (in thousands)	**42**	38	36	33	31	30	27	25	24	22

Shareholders' Equity, Deferred Credits, Income Taxes and related financial data for the years 1961 to 1968 have been restated to show the effect of 1969 adjustment of Deferred Income Taxes.
Investments, Shareholders' Equity, Other Income and related financial data for the years 1961 to 1969 have been restated to show the effect of 1970 adjustment of equity in net assets of subsidiary.

Maritime Telegraph & Telephone Company Limited 1970

DIRECTORS

GARNET L. ANGUS
President
Angus Fuel and
Transportation, Ltd.
Amherst

***A. GORDON ARCHIBALD**
Chairman of the Board & President
Maritime Telegraph &
Telephone Co., Ltd.
Halifax

***DONALD F. ARCHIBALD**
President
Archibald Farms Limited
Port Williams

MELBOURNE R. CHAPPELL
Vice President
Island Construction
Company, Limited
Sydney

SEYMOUR W. KENNEY
President
Kenney Construction
Company
Yarmouth

***ALEXANDER G. LESTER**
Executive Vice Pres. (retired)
Bell Canada
Montreal

***A. MURRAY MacKAY**
Maritime Telegraph &
Telephone Co., Ltd.
Halifax

***CLARENCE J. MORROW**
Director
National Sea Products Ltd.
Lunenburg

***DONALD W. MYERS**
Executive Vice President
Maritime Telegraph &
Telephone Co., Ltd.
Halifax

GEORGE C. PIERCEY
Partner
Daley, Black, Moreira
and Piercey
Halifax

***PERCY J. SMITH**
Vice President
Pitfield, MacKay, Ross
& Company, Limited
Halifax

FRANK H. SOBEY
Chairman of the Board
Sobey Stores Limited
Stellarton

***CHARLES E. STANFIELD**
Vice President
Stanfield's Limited
Truro

GEORGE C. WALLACE
Vice President-Finance
Bell Canada
Montreal

***Member of
Executive Committee**

OFFICERS

A. Gordon Archibald	Chairman of the Board & President
Donald W. Myers	Executive Vice President
W. Struan Robertson	Vice President — Operations
Alexander H. MacKinnon	Vice President — Planning
Frederick M. Waller	Secretary and Executive Assistant
Edward J. Hicks	Treasurer
Stephen E. Jefferson	Comptroller

OPERATIONS

G. Donald Robb	General Plant Manager
Donald L. McEachern	Chief Engineer
D. Nelson Braid	General Traffic Manager
Murray W. Wallace	General Commercial Manager
John R. Gale	General Information Manager
Harry W. Dacey	General Personnel Manager

On site inter-communications and direct "hot lines" to nearby air centres were two years in the planning by Company technicians, contributing to successful firing of four 18-foot Black Brant rockets during March Solar eclipse. National Research Council experiments, conducted with the Department of Communications, explored ionization changes in the upper atmosphere; other experiments were conducted by radio and space research station scientists of the United Kingdom. Scientists will re-visit the site at Smith's Cove near East Quoddy, about 100 miles east of Halifax, in mid-1972 for second eclipse.

MARITIME TELEGRAPH & TELEPHONE COMPANY LIMITED

PART OF

Trans-Canada Telephone System

Printed in Nova Scotia

MARITIME TELEGRAPH
& TELEPHONE COMPANY
LIMITED

SHAREHOLDERS' QUARTERLY REVIEW

SUMMER, 1970

AR52

MARITIME TELEGRAPH & TELEPHONE COMPANY LIMITED

TO THE SHAREHOLDERS:

For the first six months of 1970 gross revenues were up 13.6% over the same period in 1969 due, in part, to revised rates effective March 1, 1970. Operating expenses were up 12.3% for the same period, and net income for the half-year was $3,030,782, compared to $2,611,000 a year ago, a gain of $419,782. This was an increase of 16.1%.

Based on average common shares outstanding, earnings per share were $ .79, compared to $ .69 for the first half of 1969. On an annual basis, this was $1.65 compared to $1.38 a year ago. Rate of return on common equity on an annual basis was 9.71%, compared to 8.08% a year ago; and return on total capital invested was 7.86% on an annual basis, compared to 6.84% a year ago.

Total construction program expenditures for new facilities and equipment for the half-year was $11,379,202; the entire expenditures for the year are estimated at $20,755,000. As of June 30, 1970, telephone and other telecommunications plant in service was $175,418,626.

The issue of $10,000,000 Series "Q" First Mortgage bonds maturing in 1990 with a coupon rate of 9¼% was successfully completed on June 1, 1970.

A. G. Archibald

President & Chairman of the Board.

Halifax, N.S.
July 31, 1970

MARITIME TEL & TEL

INTERIM INCOME STATEMENT

	Six Months Ended June 30		Twelve Months Ended June 30	
	1970	1969	1970	1969
	$	$	$	$
Operating Revenues	21,104,156	18,574,724	40,919,471	36,834,830
Operating Expenses and Other Taxes	13,519,972	12,052,231	26,698,311	23,419,478
Operating Income Before Income Taxes	7,584,184	6,522,493	14,221,160	13,415,352
Other Income	204,589	128,790	340,364	303,584
	7,788,773	6,651,283	14,561,524	13,718,936
Fixed Charges	1,759,477	1,409,145	3,308,831	2,753,035
Income Before Income Taxes	6,029,296	5,242,138	11,252,693	10,965,901
Income Taxes	2,998,514	2,630,838	5,649,559	5,446,174
Net Income	3,030,782	2,611,300	5,603,134	5,519,727
Earnings per Average Common Share	.79	.69	1.46	1.46
Average Number of Common Shares Outstanding	3,767,437	3,719,536	3,767,382	3,719,499

SOURCE AND APPLICATION OF FUNDS

	Six Months Ended June 30	
	1970	1969
	$	$
SOURCE OF FUNDS		
From Operations	7,529,768	7,291,076
Employees' Stock Savings Plan	345,087	328,787
Proceeds from Long Term Debt	10,000,000	6,000,000
Salvage and Other Items	806,242	369,248
	18,681,097	13,989,111
APPLICATION OF FUNDS		
Construction of Telephone Plant	10,924,608	7,109,921
Dividends	2,124,652	2,098,308
Miscellaneous	254,751	—
	13,304,011	9,208,229
INCREASE (DECREASE) IN WORKING CAPITAL	5,377,086	4,780,882

THE "2000 MAN"

Towards the close of this second quarter, telephone men from all over Canada gathered at Saskatoon to take stock of the industry's progress—and to be treated to an expert's look at what may lie in store in the next 30 years.

"2000 man", as he was termed by one veteran communications man, is the Canadian of 30 years hence. When he travels, it will be by supersonic jet, or sub-orbital rocket; around town, he will use a computer-controlled jitney service or an automatic pilot in his car. When it comes to work, 2000 man will have a work centre—possible even in his own home. Most important, he'll use an array of sophisticated communication devices.

Some of these devices will be the natural result of telephone and telecommunication technological developments now taking place—from improved voice and TV 2-way information, to picturephones, facsimilie reproduction, and three-dimentional holography. Most vital of all, these developments will continue to require the industry to seek out and challenge top grade employees and managers to keep pace with changing needs.

The Saskatchewan conference was the 41st Telephone Association of Canada conference in the Association's 50-year history. Thirteen major telephone companies sent delegates, and they were told that the past year had been another record year for telephony—long distance revenues had increased 15%, operating revenues had increased 12%, and the industry was in "healthy shape."

But the problems lie ahead. Fifty years ago there were 600,000 telephones in service in Canada, today 9.3 million. By 2000, forecasts suggest the figure will grow to more than 32 million in a nation of 35 million people. Where today some 5000 switchboards are manned by 12,000 operators, by 1990 there will be enough telephone traffic for 15,000 switchboards and 35,000 operators—unless progress both in automation and rate refinements pays off.

Automation, one expert suggests, could come with development of techniques enabling callers to Direct Distance Dial person-to-person calls and calls from pay telephones; rate changes could be devised—for example, a one-minute minimum charge—making customer-dialed DDD calls even more attractive in price and convenience than they are today.

New president of the TAC, elected at the close of the Saskatoon sessions, is A. Gordon Archibald, Chairman and President of MT&T.